

# **1 Introduction**

## **1.1 Purpose**

The purpose of this Guide is to define Public Housing Agencies (PHAs) and Owners/Agents (OAs), collectively referred to as POAs, roles and responsibilities in resolving tenant income discrepancies identified by the U. S. Department of Housing and Urban Development (HUD) through the use of Computer Matching Income Verification (CMIV). CMIV identifies potential discrepancies between tenant reported/POA verified income and tenant income reported through Federal tax data. This guide applies to administrators of:

- PHA Public Housing;
- Section 8 Tenant-Based;
- Section 8 Project-Based;
- Rent Supplement<sup>1</sup>;
- Rental Assistance Program<sup>1</sup>;
- 202 and 811 Project Rental Assistance Contract; and
- 202/162 Project Assistance Contract.

Terms used in this Guide are defined in the attached Glossary.

This Guide identifies specific tools and approaches POAs can use to resolve income discrepancies. The Guide also describes POA reporting requirements related to discrepancy resolution. This Guide does not address social security (SS) and supplemental security income (SSI) CMIV. For SS and SSI CMIV, please refer to the *Guide for Social Security and Supplemental Security Income Verification*.

## **1.2 Background**

### **1.2.1 Computer Matching Income Verification**

In an effort to resolve a material weakness in HUD's annual financial statements as noted by HUD's Office of Inspector General, HUD developed an approach to use a large-scale CMIV process to identify differences between tenant Federal tax data and tenant reported/POA verified income. This process matches calendar year tenant income data provided by the Internal Revenue Service (IRS) and the Social Security Administration (SSA) with comparable tenant data maintained in HUD's Multifamily Tenant Characteristics Systems (MTCS) and Tenant Rental Assistance Certification Systems (TRACS) databases. HUD's Real Estate Assessment Center (REAC) developed the Tenant Assessment Subsystem (TASS) that is used to implement large-scale computer matching.

<sup>1</sup> Current regulations do not require participants in these programs to disclose the income discrepancy letter. We are encouraging POAs to resolve potential income discrepancies for tenants in these programs.

### 1.3 Federal Tax Data Computer Matching Income Verification Process

Figure 2 identifies the steps that apply to large-scale Federal tax data CMIV.

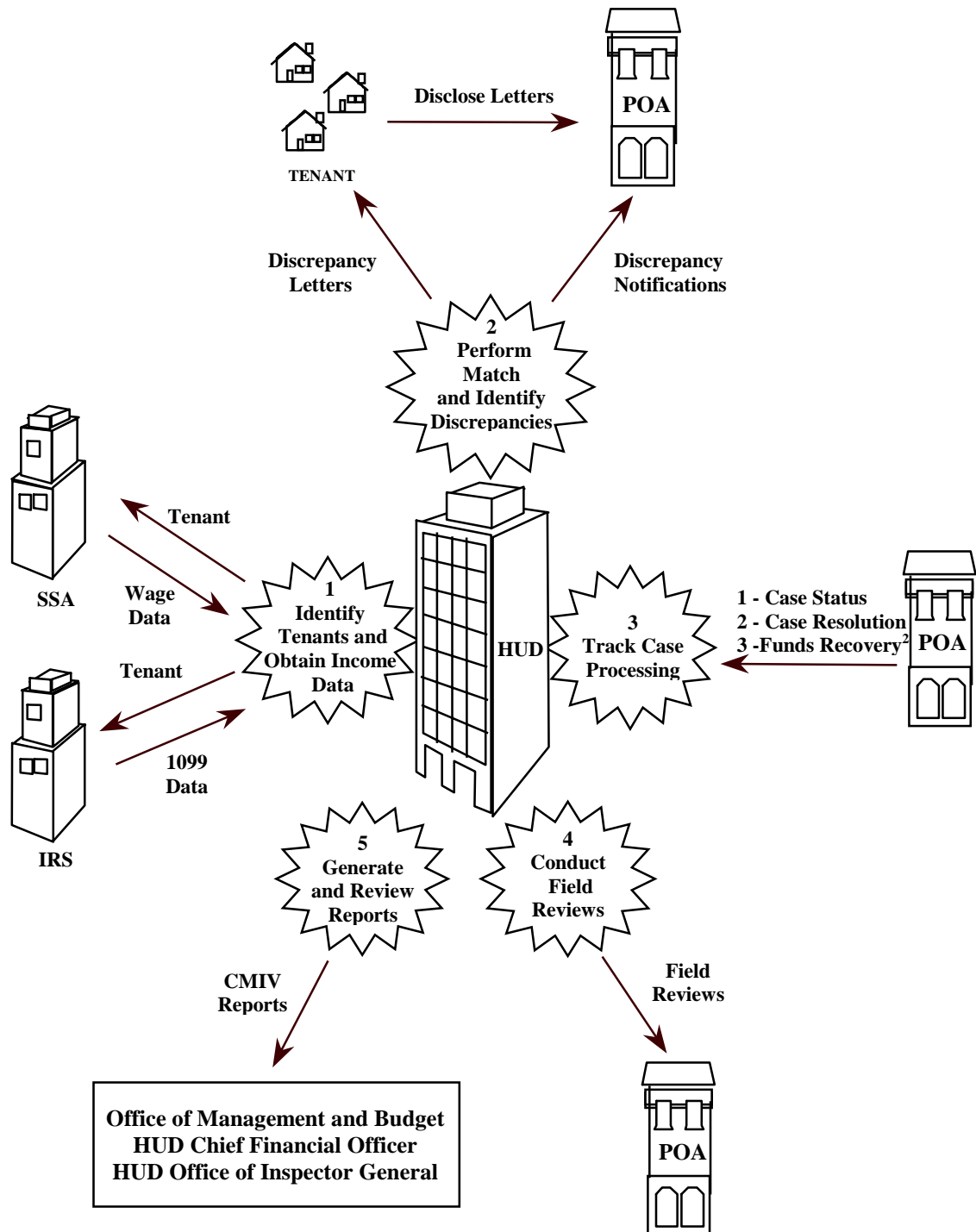
Figure 2, Large-Scale Federal Tax Data CMIV



### 1.3.1 Large-Scale Federal Tax Data CMIV

Figure 3 shows the process for the large-scale CMIV.

Figure 3, Large-Scale Federal Tax Data CMIV



<sup>2</sup> HUD is not encouraging any POA to recover excess rental assistance identified as a result of the 1998 computer matching income verification process as discussed in the Preface.

The large-scale Federal tax data CMIV process begins with the selection of all tenant households that received rental assistance during the prior calendar year. For example, in September of each year, Federal tax data is available for the prior tax year. Households that did not receive rental assistance for the full tax year are excluded from the large-scale match. Income for each household member who was in the household for the full year is included in the match.

Once households and tenants are selected, individual tenant identifiers (name, social security number, and date of birth) are sent to the IRS and the SSA. The IRS and SSA then provide HUD with Federal tax data (unearned and earned income data) for each tenant, if the data is available. HUD matches the Federal tax data with data in its tenant databases. Discrepancies at various household and individual thresholds are identified.

Since the Internal Revenue Code and Privacy Act legislation protect Federal tax data, HUD is restricted in its disclosure of tax data. HUD can only disclose the Federal tax data to the “owners” of the tax data, i.e., the tenants. HUD sends tenants discrepancy letters and directs the tenants to bring available income information to their respective POAs. While HUD cannot disclose tenant tax data to POAs, HUD does notify POAs that discrepancies exist between the income shown in HUD’s tenant databases and Federal tax data for specific tenants. Then, POAs are required to resolve the discrepancies and report the resolution to HUD. Additionally, income information that tenants disclose to POA staff may be subject to state privacy laws. POA staff should comply with all applicable laws.

The discrepancy resolution processes described in this Guide do not supercede local policies regarding income reporting. POAs remain responsible for complying with all HUD directives for income verification and other eligibility factors for initial admission and continued occupancy. HUD urges POAs to exercise flexibility in making any decisions with respect to the recovery of excess rental assistance. HUD is not encouraging any POA to recover excess rental assistance identified as a result of the 1998 computer matching income verification process. Furthermore, HUD Program Offices will not penalize or reward POAs for their decisions to not pursue or pursue recovery of excess rental assistance. When a POA elects to pursue recovery of excess rental assistance, the POA must follow all appropriate due process procedures and existing policies, procedures, and guidelines.

### **1.3.2 Compliance With Provisions of Fair Housing Act**

All POAs should comply with the provisions of the Fair Housing Act, Title VI of the Civil Rights Act of 1964 and the associated statutes that implement this initiative.

### **1.3.3 Needs of Disabled, Elderly and Non-English Speaking Tenants**

HUD acknowledges the special needs of disabled and elderly individuals and families as well as the language barriers of some tenants in the income verification process. The requirements of this Guide do not, nor are they in any way to be interpreted to, impose additional burdens on disabled and elderly individuals and families. HUD expects that POAs will be as sensitive to the special needs of disabled and elderly individuals and families in the income verification process as they are when conducting other business with these individuals. In this regard, HUD expects that POAs will conduct all follow-up

actions, including meetings and interviews with disabled and elderly tenants in their units or at a mutually agreeable/accessible locations.

To assist POAs with language barriers in the income verification process, HUD will provide a translation of the letter that it sends to tenants. The translation of the letter is available for the foreign languages identified on the letter. When the tenant calls the toll free number listed in the letter (1-800-298-0289), the tenant will hear a recorded translation of the discrepancy letter and the Fact Sheet describing HUD's income verification program.